



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
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IN REPLY REFER TO

March 8, 2001  
01-PPD-020(R)

PPD 730.5.21

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT:** Clarification of Guidance on Coordination of PCO Request for Field Pricing Support

**Background and Summary**

During Fiscal Year 1999, the Headquarters Policy Quality Assurance (QA) Division in coordination with the Regional and Field Detachment Quality Assurance staffs reviewed forward pricing assignments accomplished under the following DCAA Management Information System (DMIS) Codes.

<b>Code</b>	<b>Assignment</b>
21000	Audits of Price Proposals
22000	Participation on Integrated Process Teams (IPTs)
23000	Audits of Forecasted Rates
27000	Reviews of Specified Cost Elements
28000	Applications of Agreed-Upon Procedures

During their evaluation, the QA staff noted several policy areas that require clarification and policy that field auditors have not complied with. The purpose of this memorandum is to clarify guidance on coordinating procuring contracting officer (PCO) requests for field pricing assistance. In addition, guidance will be emphasized on the use of Procurement Liaison Auditors (PLAs) in working with customers and on reclassifying assignments.

**Clarification of CAM 9-103, Coordination of the PCO Request for Field Pricing Support**

The QA staff noted that occasionally customers request services which were not commensurate with the risk involved. For example, several customers asked for full audits of proposed costs on competitive procurements to assist in their performance of a cost realism analysis. Some auditors responded by conducting a full proposal audit (Code 21000), rather than an application of agreed-upon procedures (Code 28000). These auditors justified the decision based on guidance in CAM 9-103.1, Coordination of the PCO Request for Field Pricing Support, paragraph d.(3) which provides:

. . . Discussions with the ACO and/or PCO, should be held before beginning the reviews. The auditor should coordinate with the requestor, upon completion of the risk assessment, **to resolve any inconsistencies between the requested audit effort and the scope of audit determined by the auditor's assessed level of risk (see 9-103.3a). If the request is for an audit of something that is immaterial or that could be handled as a request for specific cost information (see 9-107.1), the auditor should discuss this with, and make an appropriate recommendation to, the contracting officer.** However, the final decision regarding the need for a complete audit, an application of agreed-upon procedures, or a request for specific cost information rests with the contracting officer. The working paper file should include documentation on the discussions and decisions. (emphasis added).

It is important that the guidance stating that “the final decision regarding the need for a complete audit, an application of agreed-upon procedures, or a request for specific cost information rests with the contracting officer” not be read in isolation. In the instances observed by QA, there was no working paper documentation of the discussions with the PCO clearly explaining why we had assessed risk as low and that we could fully meet the customer’s needs in a shorter time by performing only specific procedures. Additionally, the QA staff did not identify any documentation that the PLAs were asked to help work with the customer. If there is disagreement after we clearly explain that risk does not warrant a full audit, PLA assistance should be requested. The PLAs can provide valuable assistance by working with customers to ensure requests for services are accurate, clear and appropriate for the risk involved. If a customer does not have an assigned PLA, then auditors should contact the appropriate Senior PLA for that service (see CAM 15-3S1, *Supplement Audit Liaison Division (OAL) Procurement Liaison Auditors (PLAs) and Financial Advisors (FAs) Addresses*).

### **Managing and Reporting on Assignments When the Customer Changes the Requested Services**

The QA staff noted several assignments where the contracting officer changed the nature of requested services as the assignment was being performed. For example, the contracting officer initially requested a full proposal audit, but as the assignment progressed, changed the request to an application of agreed-upon procedures. The auditors performed agreed-upon procedures and did not perform a full audit evaluation. However, the audit report included an unqualified opinion.

If the contracting officer changes the nature of the assignment, the working papers should contain a clear description of the nature of the change and the contracting officer’s reasons for the change. Auditors should report based on the actual steps/procedures performed and in accordance with the guidance appropriate for the effort performed. Auditors need to ensure that reporting is consistent with the nature of the assignment and is supported by the evidential matter in the working papers.

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**Concluding Remarks**

FAO personnel should direct questions to the region. Regional personnel may direct questions to Ms. Joyce Friedland, Program Manager, Policy Programs Division at (703) 767-2270.

/SIGNED/

Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

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